

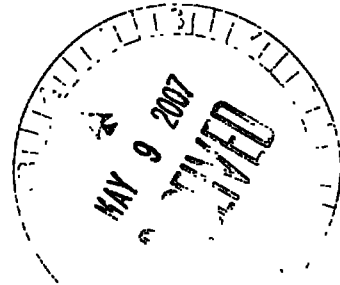
LEONARD M. SINGER

May 8, 2007

219269

BY FEDERAL EXPRESS

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20024



Re: Twin State

Dear Secretary Williams:

Please find enclosed for filing (1) an original and 10 copies of Twin State Railroad Corp.'s Petition to Revoke Notice of Exemption; (2) a check for the filing fee in the amount of \$200; and (3) 3 compact discs containing electronic versions of the foregoing petition.

Very truly yours,

Leonard M. Singer
Leonard M. Singer

ENTERED
Office of Proceedings
MAY 9 2007
Part of
Public Record

cc: Christopher Morgan
Jack E. Dodd

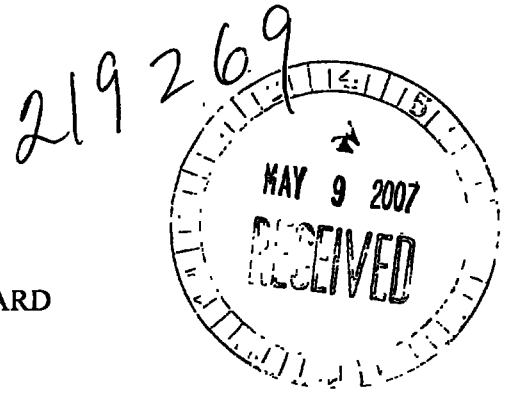
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MAY 9 - 2007
SURFACE
TRANSPORTATION BOARD

**101 Arch Street, Ninth Floor
Boston, Massachusetts 02110**

**Telephone: 617-737-7670, Ext 212
Facsimile : 617-395-2625**

**LMSinger@tiac.net
www.leonardmsinger.com**

BEFORE THE
SURFACE TRANSPORTATION BOARD



NEW HAMPSHIRE CENTRAL RAILROAD, INC.
- LEASE AND OPERATION EXEMPTION -
CERTAIN LINES OF THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION

Finance Docket #35022

PETITION OF TWIN STATE RAILROAD CORPORATION
FOR REVOCATION OF NOTICE OF EXEMPTION

FILED
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SURFACE
TRANSPORTATION BOARD

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Public Record

Leonard M. Singer
101 Arch Street
Boston, Massachusetts 02110
617-737-7670
LMSinger@tiac.net

Attorney for Twin State
Railroad Corporation

Dated: May 8, 2007

BEFORE THE
SURFACE TRANSPORTATION BOARD

NEW HAMPSHIRE CENTRAL RAILROAD, INC.
- LEASE AND OPERATION EXEMPTION -
CERTAIN LINES OF THE STATE OF NEW HAMPSHIRE
DEPARTMENT OF TRANSPORTATION

Finance Docket #35022

PETITION OF TWIN STATE RAILROAD CORPORATION
FOR REVOCATION OF NOTICE OF EXEMPTION

Twin State Railroad Corporation ("Twin State") brings this petition pursuant to 49 CFR 1117.1 to revoke the Notice of Exemption filed by New Hampshire Central Railroad, Inc. ("New Hampshire Central") on May 2. The grounds for this Petition are that (1) the transaction which is the subject of the Notice of Exemption has not been exempted by the Surface Transportation Board (the "Board"); (2) there are material misstatements and misleading statements in the Notice of Exemption and the exhibit thereto; and (3) there are material misstatements and misleading statements in prior filings with the Board with respect to the line of railroad at issue.¹

STATEMENT OF FACTS AND PRIOR PROCEEDINGS

1. The railroad line which is the subject of this Petition is the eastern end of a line that

¹ Finance Docket 34307, *State of New Hampshire, Department of Transportation - Acquisition and Operation Exemption - Certain Assets of Maine Central Railroad Company* (filed December 24, 2002). To the extent necessary to resolve the instant revocation request, Twin State also seeks revocation of the exemption notice in Finance Docket 34307.

extends approximately 28.15 miles between St. Johnsbury, Vermont and Whitefield, New Hampshire.

2. Twin State was established as a result of the Lamoille Valley Railroad Company's challenge to Guilford Transportation Industries, Inc.'s acquisition of control over the Boston & Maine and the Maine Central Railroad Company. In settlement of that litigation, Maine Central Railroad Company ("Maine Central") transferred the right to operate its line of railroad between St. Johnsbury and Whitefield. to Twin State which was established for the purpose of operating the line. See Finance Docket No. 29772, *Guilford Transportation Industries, Inc. -- Control -- Boston and Maine Corporation* (Decision served May 22, 1984), pursuant to which common control of Lamoille Valley Railroad Company and Twin State by the Northern Vermont Company was exempted from approval by the ICC.
3. As required by the settlement with Lamoille Valley Railroad Company, Maine Central entered into a Lease and Operating Agreement with Twin State dated as of March 1, 1984 (the "Lease"). A copy of the Lease is attached hereto as Exhibit A. Section VIII of the Lease provides for an initial term commencing March 1, 1984 and ending December 31, 1988. The Lease gives Twin State the right to renew the term for up to a maximum of four additional ten-year periods. As a result of Twin State's exercise of those rights, the current term of the Lease expires on December 31, 2008 and may be renewed, at Twin State's option, until December 31, 2028.
4. Pursuant to Section 1.01 of the Lease, Twin State has the right to use and operate the line of railroad and pursuant to Section 1.02 Maine Central retained the right to convey the fee

interest in the line.

5. As a result of Finance Docket No. 31545, *Clyde S. and Sandra Forbes and CSF Acquisition, Inc. -- Acquisition of Control -- Northern Vermont Company* (Decision served _____, 1989), CSF Acquisition, Inc., whose principal shareholder is Clyde S. Fobes, owns 100% of the capital stock of Northern Vermont Corporation which, in turn, owns 100% of the capital stock of Twin State.
6. In 2002, pursuant to the right it reserved in the Lease, Maine Central conveyed its fee interest in the line between Whitefield, New Hampshire and Lunenburg, Vermont to the State of New Hampshire. The State of New Hampshire's Verified Notice of Exemption in connection with that transaction (Finance Docket No. 34307) acknowledged in a number of places that "Lamoille Valley Railroad Company and the Twin State Railroad Corporation currently lease the Line." The Verified Notice of Exemption also recited that the State of New Hampshire would "acquire the Line subject to the operating rights of [Twin State]."
7. Consistent with the representations in the State of New Hampshire's Verified Notice of Exemption acknowledging the operating rights of Twin State over the Whitefield-Lunenburg segment, Maine Central and the State filed a Joint Petition for Waiver February 20, 2003. *Maine Central Railroad Company, State of New Hampshire - Adverse Discontinuance - Line Between Whitefield, New Hampshire and St. Johnsbury, Vermont*, STB Docket No. AB-848. In that Petition the State sought a waiver of certain requirements of the Board's abandonment regulations for an adverse discontinuance application of Twin State's Lease and its operating rights which it stated that it intended

to file.

8. In the Joint Petition for Waiver, the State of New Hampshire acknowledged that Twin State was “operating on the Line pursuant to the Lease” and that the State acquired the line “subject to the operating rights held by [Twin State].” The State further acknowledged that “adverse discontinuance is necessary to remove [Twin State’s] interest in the Line from STB jurisdiction so that [it] can proceed to remove the interests of Twin State under State law.”
9. Although the Board acted on the Joint Petition for Waiver, no adverse discontinuance application with respect to Twin State’s Lease or its operating rights with respect to the line of railroad between Whitefield and Lunenburg was ever filed with the Board.²
10. On May 2, 2007, New Hampshire Central Railroad, Inc. (“New Hampshire Central”) filed a Verified Notice of Exemption to lease and operate the line between Whitefield and Lunenburg. Attached to the verified notice of exemption was a letter dated April 18, 2007 in which the State of New Hampshire purported to authorize the New Hampshire Central to provide rail freight service between Whitefield and Lunenburg “effective immediately.” See Exhibit A to New Hampshire Central’s Verified Notice of Exemption.

ARGUMENT

The transaction contemplated by the State of New Hampshire and the New Hampshire Central Railroad has not been exempted from regulation by the Board.

² The Board did grant Twin State’s application to discontinue service over the western end of its railroad, that is between Gilman and St. Johnsbury.

Twin State is the carrier that operates and has the exclusive right to operate the line of railroad between Whitefield and Lunenburg. It was given this right in the Lease by Maine Central, the State of New Hampshire's predecessor in interest, and that transaction was approved by the Board's predecessor.

Since that approval, there has been no preceding whatsoever, including any proceeding before the Board, such as an abandonment or discontinuance proceeding, adverse or otherwise, pursuant to which Twin State might be removed as the carrier between Whitefield and Lunenburg. Under the circumstances, the transaction for which New Hampshire Central claims exemption is not simply a transaction pursuant to which a new, additional carrier is designated. To the contrary it is a transaction the necessary predicate for which is the discontinuance of Twin State's operating rights between Whitefield and Lunenburg.

An application to discontinue Twin State's right to operate, filed by any party other than Twin State, is an adverse application. Adverse applications are not exempted from regulatory review. Because the transaction contemplated by New Hampshire Central's Verified Notice of Exemption necessarily entails the discontinuance of Twin State's rights, the exemption procedure is simply unavailable.

The exemption procedure should not be available to New Hampshire Central for a further reason. The Lease does not allow the State of New Hampshire to designate more than one operator for the line between Whitefield and Lunenburg.³ Absent consent, the State of New

³ The state of New Hampshire does not have the right to designate an operator for two reasons. First, Twin State's rights under the Lease are exclusive. Another operator cannot operate the line until Twin State's rights have been terminated by the Board. In addition, the right to designate a new operator, in the event that Twin State defaults under the Lease, is given to the State of Vermont. See Section 6.01.

Hampshire does not have the power to appoint a new (or additional) operator. Under the circumstances, the transaction for which exemption is sought is not consensual.⁴

Even if the exemption procedure were available to designate a new operator, New Hampshire Central's Verified Notice of Exemption is void ab initio and should be revoked because it contains false and misleading information. Nowhere in New Hampshire Central's Verified Notice of Exemption is there any reference whatsoever to the fact that another carrier services the line. Nowhere in New Hampshire Central's Verified Notice of Exemption is there any reference whatsoever to Twin State.⁵ Nowhere in New Hampshire Central's Verified Notice of Exemption is there any reference to the fact that the State of New Hampshire understood that it acquired the line subject to the rights of Twin State. Furthermore, New Hampshire Central's Verified Notice of Exemption mistakenly creates the impression that the State of New Hampshire has the right to designate a carrier to service the line.

Twin State submits that these omissions render New Hampshire Central's Verified Notice of Exemption false and misleading. It creates the false impression that there is no incumbent operator on the line, that the rights of any incumbent operator have been or will be voluntarily terminated, and it is flatly inconsistent with the State's representation in Finance Docket 34307 that it would not seek a new operator except "subject to the operating rights" of Twin State. In addition, it creates the false impression that the state of New Hampshire, without

⁴ If the State had the power to appoint an additional carrier, the Board could prescribe arrangements between two carriers serving the same line in a subsequent proceeding, if necessary.

⁵ The Verified Notice of Exemption was not served upon Twin State. It was brought to Twin State's attention by the state of Vermont.

more, can designate a new operator. New Hampshire Central's Verified Notice of Exemption creates the false impression that it seeks approval for an uncontested and consensual transaction.

In the alternative, the Board should void the Notice of Exemption filed by the State of New Hampshire in Finance Docket 34307 in connection with its acquisition of Maine Central's interest in the line between Whitefield and Lunenburg. As pointed out in paragraph 6 above, that Notice of Exemption explicitly recognized that the State was acquiring Maine Central's interest subject to Twin State's rights. A fair reading of that Notice of Exemption would convey that the State of New Hampshire understood that any action that it took with respect to the line would be subject to Twin State's rights. Such a reading of the Notice of Exemption is confirmed by the State of New Hampshire's statements in the Joint Request for Waiver. See paragraph 8 above.

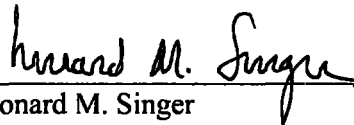
Now, however, the State of New Hampshire seeks to renege on its prior commitment in Finance Docket 34307 and avoid the adverse discontinuance contemplated by its Notice of Exemption and Joint Request for Waiver. Under the circumstances, its Notice of Exemption is false and misleading because it did not reveal that the State of New Hampshire and New Hampshire Central are attempting to abrogate Twin State's rights under the Lease by simply having its new designee file a Notice of Exemption.

CONCLUSION

For the foregoing reasons, the Board should revoke the notice of Exemption filed by New Hampshire Central on May 2.

TWIN STATE RAILROAD
CORPORATION

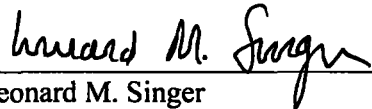
By its attorney,



Leonard M. Singer
101 Arch Dartmouth Street
Boston, Massachusetts 02110
(617) 737-7670
LMSinger@tiac.net

CERTIFICATE OF SERVICE

I, Leonard M. Singer, hereby certify that I served the foregoing on Christopher Morgan, Administrator, Department of Transportation, State of New Hampshire and Jack E. Dodd, , Director of Marketing and Sales, New Hampshire Central Railroad by mailing a copy of the foregoing to them on May 8, 2007.



Leonard M. Singer

Exhibit A

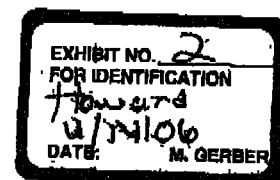
LEASE AND OPERATING AGREEMENT

THIS LEASE AND OPERATING AGREEMENT ("Agreement") dated as of the 1st day of March, 1984, by and among MAINE CENTRAL RAILROAD COMPANY, a Maine corporation ("MEC"), TWIN STATE RAILROAD CORPORATION, a Vermont corporation ("TSR"), and LAMOILLE VALLEY RAILROAD COMPANY, a Vermont corporation ("LVRC").

WITNESSETH:

WHEREAS, MEC, LVRC, the State of Vermont ("Vermont") and Guilford Transportation Industries, Inc. ("Guilford"), the owner of all of the outstanding common stock of MEC, have executed and delivered a Settlement Agreement dated as of November 1, 1983 (the "Settlement Agreement"), pursuant to which they have agreed to resolve, as of the Effective Date (as defined below), certain disputes arising in connection with the acquisition by Guilford of control of Boston and Maine Corporation ("B&M"); and

WHEREAS, the Settlement Agreement provides that MEC and LVRC will enter into an agreement for the operation of the line of railroad of MEC from Whitefield, New Hampshire to St. Johnsbury, Vermont by LVRC; and



WHEREAS, TSR has been organized as a wholly-owned subsidiary of Northern Vermont Corporation, which is also the owner of all of the outstanding stock of LVRC, to operate the Line (as defined below) as the designee of LVRC;

NOW, THEREFORE, the parties hereto, in consideration of the mutual promises and covenants set forth herein and intending to be legally bound, hereby agree as follows:

I. GRANT OF AUTHORITY

1.01 In consideration of the payment, as of the Effective Date, of the sum of \$200,000 by TSR to MEC, MEC hereby leases and grants to TSR the right to use and operate, during the term of this Agreement and subject to the provisions of this Agreement and to the limitations set forth in Sections V and VI below, the line of railroad of MEC between the east MEC yard limit sign at approximately Mile Post P 103, Whitefield, New Hampshire and the west end of the MEC main track at approximately Mile Post 131.15, St. Johnsbury, Vermont, except a parcel of real property consisting of approximately 9.2 acres at South Lunenburg, Vermont, situated northerly of a line approximately 900 feet long lying 50 feet northerly of and parallel to the monumented baseline of MEC between the Connecticut River and Lunenburg State Aid Highway

No. 1. TSR shall have the right to use and operate the line of railroad and all appurtenant facilities, including tracks, bridges, culverts, signals, fences and buildings, which are used in connection with the operation of the line, all of which shall be referred to in this Agreement as the "Line".

1.02 MEC hereby assigns to TSR all leases, sidetrack agreements, licenses, private crossing agreements and other such agreements in connection with or relating to the Line listed in Appendix A attached hereto. TSR shall have the right on its own behalf to enter into such additional leases, sidetrack agreements, licenses, private crossing agreements or other such agreements in connection with or relating to the Line, subject, however, to the prior written consent of the Chief Engineer of MEC, which consent shall not be unreasonably withheld, and to collect and receive for its own account any rents or payments with respect to all such agreements. TSR shall have the right and responsibility to enter into agreements with states, municipalities or administrative agencies relating to highway grade crossings, highway bridges or grade crossing protection on the Line, subject, however, to the prior written consent of the Chief Engineer of MEC, which consent shall not be unreasonably withheld. MEC shall have and retain the exclusive right, and TSR shall be precluded from

claiming or exercising any right, to enter into agreements, so long as any such agreements do not adversely affect the operation of the Line, to convey the fee interest in any real property constituting part of the Line, to grant an easement affecting the Line or to resolve any taking by eminent domain affecting the Line. Upon termination of this Agreement, TSR shall assign or reassign to MEC all leases, sidetrack agreements, licenses, private crossing agreements and other such agreements in connection with or relating to the Line.

1.03 TSR may request MEC to retire any property on, or portion of, the Line which may no longer be required for the performance of the duties of TSR under this Agreement, and MEC shall not unreasonably withhold approval of such requests. TSR may retain for its own account any property recovered or proceeds received incidental to any such retirement, but retirement accounting shall be performed by MEC.

II. COVENANTS OF LVRC

TSR hereby covenants and agrees as follows:

2.01 As of the Effective Date, TSR shall pay to MEC the sum of \$200,000.

2.02 During the term of this Agreement, TSR shall operate the Line and shall provide train service which will be equal in all respects, including frequency, reliability and speed, to the service presently provided on the Line by MEC or such other manner of service as may be warranted by traffic levels and operating conditions as they may exist from time to time. TSR acknowledges that presently MEC provides service upon the demand of customers six days per week. TSR shall provide all locomotives, personnel and any other equipment (except that cars for loading shall be provided as stated in Section IV below) necessary in order to provide such service.

2.03 TSR shall offer to employ one MEC employee presently assigned to maintenance-of-way duties on the Line.

2.04 TSR shall assume and bear all costs related to its operation of the Line.

2.05 TSR shall file any returns or reports required by Vermont or New Hampshire in respect of franchise, corporate or income taxes and shall pay any taxes assessed on the basis of the earnings or income of, or operation of the Line by, TSR. TSR shall pay (i) 37.5% of the Vermont property and franchise tax, 32 Vermont Statutes Annotated, Chapter 211, §§ 8211-8286, as it or a similar tax law based on the value of

property used for railroad operations may be in effect from time to time, assessed in respect of that portion of the Line which is located in Vermont and (ii) 37.5% of the New Hampshire railroad and public utility tax, 1-A New Hampshire Statutes Annotated, Chapter 82, §§ 1-38, as it or a similar tax law based on the value of property used for railroad operations may be in effect from time to time, assessed in respect of that portion of the Line which is located in New Hampshire, whether any such taxes are assessed against TSR or MEC or both. Except for property taxes to be paid by MEC pursuant to Section 3.02 below and except as provided in the preceding sentence, TSR shall pay any other property taxes assessed on the Line.

2.06 TSR shall, at its own expense, maintain the Line in good condition and repair so that freight train operations can be conducted on the Line as warranted by traffic levels in a safe, efficient and economical manner and in compliance with all federal and state laws and regulations. Any property or materials used by TSR to replace or repair any property or materials in the Line shall be of equal or better quality compared to the property or materials so replaced or repaired.

2.07 TSR shall indemnify and save MEC, its parent and its officers, agents and employees harmless from and

against all liabilities, claims, charges, costs and expenses of whatever nature arising from or in connection with the use, operation or maintenance of the Line by TSR.

2.08 TSR shall, at all times during the term of this Agreement, maintain, from insurers approved by MEC, which approval shall not be unreasonably withheld, the following types and amounts of insurance coverage:

(a) insurance against loss or damage to property, including without limitation property of MEC, cargo and rolling stock, and against injury or death to persons, including without limitation employees of MEC, arising or incurred in connection with the operation, use or maintenance of the Line, in minimum amounts of (i) \$1,000,000 for injury or death of any person and \$2,000,000 for injury or death arising out of any occurrence and (ii) \$1,000,000 for any loss of or damage to property and \$2,000,000 for loss or damage arising out of any occurrence, in each case subject to a deductible not in excess of \$25,000; and

(b) insurance against loss or damage by fire and against loss or damage by other risks now or hereafter embraced by the terms "extended coverage" and "vandalism and malicious mischief" to any bridges located on the Line in an amount of \$1,000,000 for any occurrence, subject to a deductible not in excess of \$25,000.

TSR shall maintain the insurance described in subsection 2.08(a) above at its sole expense and shall pay 37.5% of the cost of the insurance described in subsection 2.08(b) above.

III. COVENANTS OF MEC

MEC hereby covenants and agrees as follows:

3.01 MEC shall pay TSR \$300 for each loaded car (but not including any MEC company material cars or MEC non-revenue equipment) handled by TSR on the Line. On January 1, 1985, and on January 1 of each succeeding year this Agreement is in force and effect, the amount paid by MEC to TSR for each loaded car so handled by TSR shall be increased or decreased, as the case may be, by multiplying \$300 by a fraction, the numerator of which shall be the "Labor, Fuel and Materials and Supplies Combined" portion of the Railroad Cost Recovery Index of the Association of American Railroads and the denominator of which

shall be such Index as of January 1, 1984. If the Association of American Railroads ceases publication of such Index, the parties hereto shall utilize such other index, for the purpose of adjusting the payment for each loaded car, that fairly reflects the increased or decreased costs of labor, fuel and materials and supplies incurred in operating railroads in the United States. No payment shall be due from MEC to TSR for the handling by TSR of empty cars which are loaded or made empty on the Line. TSR shall bill MEC after the conclusion of each month. Such bills shall show the car number and the date or dates of handling for each loaded car for which payment is requested. Within 15 business days after the receipt of any such bill, MEC shall make the payment due TSR.

3.02 MEC shall file any returns or reports required by Vermont or New Hampshire in respect of franchise, corporate or income taxes and shall pay any taxes assessed on the basis of the income or earnings of MEC in respect of the Line. MEC shall pay (i) 62.5% of the Vermont property and franchise tax, 32 Vermont Statutes Annotated, Chapter 211, §§8211-8286, as it or a similar tax law based on the value of property used for railroad operations may be in effect from time to time, assessed in respect of that portion of the Line which is located in Vermont and (ii) 62.5% of the New Hampshire railroad

and public utility tax, 1-A New Hampshire States Annotated, Chapter 82, §§1-38, as it or a similar tax law based on the value of property used for railroad operations may be in effect from time to time, assessed in respect of that portion of the Line which is located in New Hampshire, whether any such taxes are assessed against MEC or TSR or both. MEC shall pay property taxes assessed on the parcel of real property described in Section 1.01 above as not being subject to this Agreement.

3.03 MEC shall pay 62.5% of the cost of the insurance described in subsection 2.08(b) above.

IV. OPERATION AND TRAFFIC

4.01 TSR shall handle cars on the Line for the account of MEC. MEC shall have and retain the exclusive right to deal directly with shippers and receivers regarding traffic moving to or from the Line and to solicit such traffic in the best interests of MEC and the railroad system owned by Guilford (hereinafter referred to as the "Guilford system"). MEC shall provide all station agency functions related to the operation of the Line and shall furnish TSR such information as may be necessary for TSR to provide service to customers on the Line. MEC shall provide TSR with instructions concerning delivery

locations for traffic moving to or from the Line, and TSR shall comply with such instructions. TSR shall furnish MEC weekly with copies of each daily "Conductor's Train Report" completed with information relating to cars handled on the Line during each week. MEC shall have the right, at reasonable times, to review and obtain copies of any records of TSR or LVRC relating to traffic handled by TSR on the Line.

4.02 TSR shall first use Guilford system cars supplied to TSR for loading for any shippers located on the Line. To the extent that Guilford system cars are not so available, TSR may provide TSR or LVRC cars for loading. In the event that neither Guilford system cars nor TSR or LVRC cars are available, TSR shall use cars supplied to it by any Guilford system railroad.

4.03 TSR shall operate the Line under its own rules, except that TSR shall incorporate into its operating instructions MEC Time Table Special Instructions as they may be pertinent to operations of the Line, including MEC Time Table No. 2, dated April 11, 1982, pages 2 through 7 under Sections (Rules) 33a, 33b, 93, 98, 110 and 695.

V. DEFAULTS BY LVRC AND REMEDIES OF MEC

5.01 The following events or occurrences shall constitute defaults by TSR under this Agreement:

(a) the failure or inability of TSR to provide service on the Line, except when such failure or inability is caused by an event or occurrence such as an act of God, vandalism, strike, or order of a court or other governmental authority which (i) is not attributable, directly or indirectly, to any act or failure to act by TSR and (ii) cannot be cured by TSR without unreasonable delay or expense;

(b) the failure to maintain the Line in accordance with the standard established in Section 2.06 above;

(c) the failure to pay any of the costs and expenses to be paid by LVRC pursuant to Section 2.04 or Section 2.05 above; or

(d) the failure to comply with or to perform any other covenant or agreement undertaken by TSR pursuant to this Agreement.

5.02 In the event that MEC gives TSR and LVRC written notice of the occurrence of any default under this Agreement and TSR or LVRC, pursuant to Section XII below, does not cure any such default within 30 days after such notice, then MEC may, by further written notice to TSR and LVRC, with a copy to Vermont, terminate the rights and obligations of TSR and LVRC under this Agreement.

5.03 Notwithstanding any other provision of this Agreement, in the event that TSR fails to provide service in the manner required by Section 2.02 above, MEC may, at its option, provide service on the Line itself or through a carrier designated by MEC.

VI. SUBSTITUTION OF OPERATOR

6.01 The rights and obligations of TSR and LVRC under this Agreement shall terminate, but the Agreement shall remain in full force and effect, upon the occurrence of either of the following two events:

(a) provision of notice by MEC to TSR and LVRC of a default, as provided in Section 5.02 above, which TSR or LVRC has failed to cure within 30 days after notice of such default; or

(b) provision of notice by Vermont to MEC and LVRC to the effect that LVRC is in default under its lease with Vermont concerning the operation of the line of railroad between Swanton, Vermont and St. Johnsbury, Vermont or to the effect that LVRC has failed to renew such lease.

In either event, Vermont may, by notice to MEC and to TSR and LVRC, designate a new operator of the Line in place of TSR.

6.02 Subject to the approval of Guilford and the approval of or exemption by any regulatory agency which may have jurisdiction over such matters, any new operator so designated by Vermont shall assume all of the rights and obligations of TSR, except the rights set forth in Section VII below, under this Agreement.

VII. TERMINATION BY TSR

TSR may, at its option, terminate this Agreement (i) for any reason within two years after the Effective Date or (ii) if it handles less than 1,100 carloads on the Line in any calendar year during the period beginning on the second anniversary of the Effective Date and ending on December 31, 1988. If TSR so terminates this Agreement, or if the Agreement

terminates pursuant to the last sentence of Section VIII below, MEC shall pay TSR the sum of \$200,000; provided, however, that MEC shall have no obligation to pay any amount to TSR if the rights and obligations of TSR are terminated pursuant to Section VI above.

VIII. TERM

The initial term of this Agreement shall be from the Effective Date through December 31, 1988. At its option, TSR may renew this Agreement for a maximum of four 10-year periods subsequent to December 31, 1988. Notwithstanding any other provision of this Agreement, it shall terminate and be of no further force and effect as of June 30, 1984, unless such date is extended by MEC, in the event that Vermont has not provided assurances satisfactory to MEC by such date to the effect that Vermont has obtained the authority necessary to fulfill the obligations assumed by Vermont with respect to certain public structures and grade crossings in Vermont pursuant to paragraph 5 of the Settlement Agreement.

IX. NOTICES

All notices, requests and demands to or upon the parties hereto shall be deemed to have been given or made when deposited in the United States mails, postage prepaid, addressed as follows:

To:

Twin State Railroad Corporation
Stafford Avenue
Morrisville, Vermont 05661

with a copy to:

Robert A. Gensburg, Esq.
Gensburg & Axelrod
101 Eastern Avenue
P.O. Box 189
St. Johnsbury, Vermont 05819

To:

Lamoille Valley Railroad Company
Stafford Avenue
Morrisville, Vermont 05661

with a copy to:

Robert A. Gensburg, Esq.
Gensburg & Axelrod
101 Eastern Avenue
P. O. Box 189
St. Johnsbury, Vermont 05819

To:

-
Maine Central Railroad Company
242 St. John Street
Portland, Maine 04102

with copies to:

James E. Howard, Esq.
Kirkpatrick, Lockhart, Johnson & Hutchison
1500 Oliver Building
Pittsburgh, Pennsylvania 15222

and

Guilford Transportation Industries, Inc.
171 Orange Street
New Haven, Connecticut 06510

X. NO WAIVER; CUMULATIVE REMEDIES

No failure to exercise, and no delay in exercising on the part of any party of, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power, or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the parties hereunder are cumulative and not exclusive of any rights or remedies provided by law, and all such rights and remedies may be exercised singly or concurrently.

XI. ASSIGNMENT

This Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the parties hereto. TSR shall not assign this Agreement or any portion hereof except upon the prior, written consent of MEC.

XII. GUARANTY BY LVRC

LVRC hereby (i) guarantees the performance by TSR of its duties, covenants and obligations under this Agreement and (ii) if TSR fails to perform such duties or obligations or to fulfill such covenants or if there is a default by TSR

hereunder, consents to the enforcement by MEC against LVRC of any such duties, covenants and obligations and to the exercise of any rights, powers, remedies or privileges available hereunder or at law.

XIII. EFFECTIVE DATE

This Agreement shall become effective (the "Effective Date") only upon the occurrence of both of the following conditions precedent:

(a) the litigation by LVRC, Vermont and Eastern Magnesia Talc Company relating to the acquisition of B&M, including the matter relating to LVRC remanded to the Interstate Commerce Commission ("ICC") pursuant to Lamoille Valley Railroad Co. v. ICC, 711 F.2d 295 (D.C. Cir. 1983), shall have been terminated and dismissed with prejudice by the ICC and any courts having jurisdiction over such matters; and

(b) this Agreement, the Settlement Agreement and any transactions contemplated hereby or thereby shall have received such approvals, if any, as may be required by the ICC, Vermont or New Hampshire or

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the day and year first above written.

By John F. Hervey

Prof. W. G. Herbert

By Robert A. Gensburg
Robert A. Gensburg
President

By and
Edward A. Lewis
General Manager

July 11 - Detroit

By Robert S. Long